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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

GARRARD R. BEENEY
Counsel of Record
STEPHEN J. ELLIOTT
JAMES T. WILLIAMS
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004
(212) 558-4000
beeneyg@sullcrom.com

JEFFREY B. WALL
SULLIVAN & CROMWELL LLP
1700 New York Avenue, N.W.
Suite 700
Washington, DC 20006
(202) 956-7500

TABLE OF CONTENTS

Page

I. The Board uses the wrong claim-construction standard. 1

A. Congress did not authorize the PTO to depart from the ordinary-meaning standard for adjudicating patent validity 2

1. The applicable claim-construction standard depends on whether the proceeding is examinational or adjudicatory. 3

2. Congress designed IPR as an adjudicatory surrogate for district-court litigation 5

3. Using an ordinary-meaning standard in IPR would not lead to anomalous results. 9

B. The PTO's regulation is invalid and not entitled to deference. 10

1. Section 42.100(b) is not an exercise of the PTO's procedural rulemaking authority. 10

2. Section 42.100(b) is plainly unreasonable. 14

II. The Board's institution decisions are judicially reviewable. 15

A. The AIA limits the Board's power to institute IPR proceedings. 15

B. The Board cannot violate the AIA's limits without any judicial oversight. 17

Conclusion 23

TABLE OF AUTHORITIES

Page(s)

Cases

Bowen v. *Mich. Acad. of Family Physicians*, 476 U.S. 667 (1986) 17

Buszard, In re, 504 F.3d 1364 (Fed. Cir. 2007) 2

Dunlop v. *Bachowski*, 421 U.S. 560 (1975) 17

Ethicon, Inc. v. *Quigg*, 849 F.2d 1422 (Fed. Cir. 1988) 9

Ford Motor Co. v. *Signal IP, Inc.*, IPR2015-00860, Paper 14 (P.T.A.B. Nov. 17, 2015) 14

Hyatt, In re, 211 F.3d 1367 (Fed. Cir. 2000) 2

Key Med. Supply, Inc. v. *Burwell*, 764 F.3d 955 (8th Cir. 2014) 22

KSR Int'l Co. v. *Teleflex Inc.*, 550 U.S. 398 (2007) 7

Leedom v. *Kyne*, 358 U.S. 184 (1958) 22

Lindahl v. *Office of Personnel Mgmt.*, 470 U.S. 768 (1985) 17

Mach Mining, LLC v. *EEOC*, 135 S. Ct. 1645 (2015) 17

Cases—Continued

PPC Broadband, Inc. v. *Corning Optical Commc'ns RF, LLC*, 2016 WL 692368 (Fed. Cir. Feb. 22, 2016) 13

Phillips v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) 4

Rodriguez v. *United States*, 480 U.S. 522 (1987) 21

Sash v. *Zenk*, 428 F.3d 132 (2d Cir. 2005) 4

Shaw Indus. Grp., Inc. v. *Automated Creel Sys., Inc.*, No. 2015-1116, 2016 WL 1128083 (Fed. Cir. Mar. 23, 2016) 19

Skvorecz, In re, 580 F.3d 1262 (Fed. Cir. 2009) 2

St. Jude Med., Cardiology Div., Inc. v. *Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) 20

Versata Dev. Grp., Inc. v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) 21, 22

Whitman v. *Am. Trucking Ass'ns*, 531 U.S. 457 (2001) 12

Statutes and Regulations

5 U.S.C. 702 19

28 U.S.C. 1295(a)(4) 20

Statutes and Regulations—Continued

35 U.S.C.
2(b)(2)(A) 10, 12
6(a) 7
135(a) (2006) 6
303 ..... 20, 21
305 ..... 8, 10
311(a) 6
312 (2006) 20
312(a)(3) 16
314(a) 11, 16, 18
314(d) 17, 18, 20, 21, 22
315(a)(1) 18, 19
315(b) 18, 19
315(e)(1) 18, 19
316(a)(2) 11
316(a)(4) 11, 12
317(a) 6
318(a) 19
319 18

37 C.F.R.
1.114 7
42.121(a)(1) 8

77 Fed. Reg. 48,680 (Aug. 14, 2012) 13

Other Authorities

Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009) 11

Robert P Merges *et al.*, Intellectual Property In The New Technological Age (3d ed. 2003) 7

S. Rep. No. 110-259 (2008) 5

REPLY BRIEF FOR THE PETITIONER

I. THE BOARD USES THE WRONG CLAIM-CONSTRUCTION STANDARD.

Cuozzo's argument on claim construction is simple: claims have long been construed differently in adjudication than in examination, and IPR proceedings are adjudicatory. Congress did not intend, and it does not make sense, for the Board to use a different standard from courts when they perform the same function of adjudicating patent validity. The Government does not dispute that the choice of a claim-construction standard should depend on the purpose of the proceeding; the purpose of IPR is to declare the meaning of property rights rather than to adjust or clarify the scope of those rights; and using different claim-construction standards in IPRs and district-court litigation has led to substantial unfairness for patentees and inconsistent results.

The Government instead makes two basic responses, both of which are unpersuasive. *First*, despite Congress's express goal of replacing inter partes reexaminations with an adjudicatory system, the Government argues that IPRs are more like examinations than adjudications because of the opportunity to amend and the lower burden of proof. But the severely limited ability to amend in IPRs is nothing like the unfettered right to amend in examinations, and the

burden of proof is different because the tribunal is composed of expert patent judges, not nonexpert judges and lay jurors. The bottom line remains that IPR is a streamlined surrogate for litigation—not an extension of the examinational process. *Second*, in a naked power grab, the Government argues that the PTO's regulation is valid and entitled to deference. Congress has long denied the agency the power to issue substantive rules, and in any event the regulation is plainly at odds with the statutory scheme.

A. Congress did not authorize the PTO to depart from the ordinary-meaning standard for adjudicating patent validity.

The Government begins with the same faulty reasoning that the PTO employed in its rulemaking: the agency has long given unexpired patent claims their broadest reasonable interpretation, so Congress "expected" the Board to do the same in IPRs. Br. 16. But Congress was equally aware that the BRI protocol is an "examination expedient, *not a rule of claim construction*," *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) (emphasis added); the purpose of the BRI protocol is to ensure that claims are drafted clearly, see *In re Buszard*, 504 F.3d 1364, 1366-1367 (Fed. Cir. 2007); and its use in examinational proceedings does not prejudice the patentee because of the liberal right to amend, see *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000). Against that backdrop, Congress created a new adjudicative proceeding to serve as a faster and cheaper surrogate for district-court litigation, which historically has not given claims their broadest reasonable interpretation.

1. The applicable claim-construction standard depends on whether the proceeding is examinational or adjudicatory.

a. The Government accepts that the purpose of the BRI protocol is to "promote[] clarity and precision in *claim drafting*." Br. 18 (emphasis added). The Government also accepts (Br. 19) that, once the claims have been drafted and the patent has been issued, courts (and the International Trade Commission) properly use a different standard in construing the claims. Nor does the Government challenge that the Board in IPR is performing the same function as courts in litigation: it is determining the validity of issued patent claims.[1] It therefore follows that the Board should use the same claim-construction standard as courts. All of the reasons for construing patents (like other written instruments) according to their ordinary meaning in litigation apply equally in IPR. See Cuozzo Br. 19-20. Although in rare cases a patentee may be allowed to amend its claims in an IPR, the Board proceeds post-amendment to do what courts do: adjudicate the validity of the (new) claims. Its basic adjudicatory function is unchanged.[2]

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[1] Some of the Government's amici (though not the Government) try to distinguish the "patentability" determination in IPR from the "validity" decision in litigation, but both have the same legal effect. See Cuozzo Br. 27 n.8. Whether a claim is canceled as unpatentable in IPR or declared invalid in litigation, a patentee can no longer assert or amend that claim.

[2] Amicus Public Knowledge (though not the Government) incorrectly argues (Br. 25-31) that Cuozzo lacks standing. Parties have standing to pursue a case or controversy, not to make particular arguments. Here, Cuozzo suffered injury from the erroneous application of a legal standard different from the one that courts employ. See Pet. App. 117a-120a; PTO Manual § 2111 ("[T]he Office does not

b. The Government defends (Br. 27-28) the Board's use of the BRI standard on the ground that courts often employ interpretive rules or canons in construing ambiguous language. But the BRI standard is no mere interpretive rule or canon; it is a substantive rule that the agency lacks any power to promulgate. See *infra*, pp. 10-13. Even setting that aside, to know whether a particular interpretive rule applies, courts have to ask whether the rule's purpose is implicated by the proceeding at issue. See, *e.g.*, *Sash* v. *Zenk*, 428 F.3d 132, 135 (2d Cir. 2005) (Sotomayor, J.) ("Because the purposes of the rule of lenity are not implicated here, we hold that it does not apply."). The purpose of the BRI protocol is to ensure that claims are drafted clearly—a purpose not implicated in adjudicating the validity of issued patent claims. The Board has invoked an interpretive method that is manifestly unsuited to the purpose of IPR.

The Government also notes (Br. 28) that if a claim is ambiguous even after exhausting all other interpretive tools, courts attempt to resolve the ambiguity in favor of validity. Of course, the Board has gone in the opposite direction: it resolves all ambiguity *against* validity. In any event, courts' interpretive tiebreaker comes into play only in rare circumstances, and it flows from the statutory presumption of validity. See *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1327 (Fed. Cir. 2005). Here, the Board is not using the BRI method

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interpret claims in the same manner as the courts."). This Court can redress that injury by remanding the case to the Board to apply the correct standard. The Board and the Federal Circuit did not address whether Cuozzo's claims would be invalid under the ordinary-meaning standard, and Cuozzo asserts that its requested construction is the ordinary meaning of the relevant patent language.

as a tiebreaker when all else fails. It gives every patent claim its broadest reasonable construction, even if a different ordinary meaning is readily apparent—and it does not do so in service of any "ancillary objective[]" codified in the AIA. Br. 28. The AIA does not instruct the Board to declare patent claims invalid whenever possible.

2. Congress designed IPR as an adjudicatory surrogate for district-court litigation.

The Government's observation that "in some ways *inter partes* review more closely resembles litigation than do its administrative forebears" is a considerable understatement. Br. 30. The Board is comprised of judges, who are required to adjudicate the parties' arguments rather than conduct their own examination of the prior art. Parties in IPR may obtain fact and expert discovery, submit briefs, and participate in oral argument. The Government notes (Br. 30-31) that discovery and the types of prior art that may be considered are more limited in IPR than in litigation. But these differences were driven by Congress's goal to create a faster and cheaper surrogate for litigation—they do not make IPR any more similar to examination or reexamination.

The Government argues (Br. 32) that IPR, like inter partes and ex parte reexamination, is merely another alternative to litigation. But Congress did not want another examinational alternative; indeed, it expressly replaced inter partes reexamination with IPR. It wanted instead an adjudicatory "substitute" for district-court actions. S. Rep. No. 110-259, at 66 (2008).[3]

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[3] The Government contends that interference proceedings combined "features of adjudication with the broadest-reasonable-construction approach." Br. 32. The core purpose of interference

To be sure, Congress did not make IPR identical to litigation, because its goal was for the agency proceedings to be more accurate and efficient. No feature of the IPR system, however, suggests Congress intended the Board to use a different claim-construction standard from courts. The Government focuses on three features: parties, burden of proof, and amendment. The first two are irrelevant to the claim-construction standard, and the third supports using the same standard as courts in adjudicating the validity of issued claims.

a. *Parties.* The Government notes that IPRs and litigation "need not have the same parties." Br. 29. Unlike in court, a person may request IPR without demonstrating a concrete stake in the outcome of the proceeding, 35 U.S.C. 311(a), and the Board may issue a final decision even if the petitioner terminates its involvement, 35 U.S.C. 317(a). Even assuming Congress may authorize an agency to adjudicate property rights in the absence of injury or adversity, at most those provisions show that Congress wanted to ex-

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proceedings was to determine who invented first as between two applications or an application and an issued patent, 35 U.S.C. 135(a) (2006), and use of the BRI standard assisted in determining whether different claim language actually represented the same invention. In addition, because interferences always involved at least one pending application, at the conclusion of the interference (once the priority question had been decided) jurisdiction over the application returned to the examiner and the examinational process continued. See PTO Manual § 2308; InterDigital Amicus Br. 13-14. The PTO thus employed the BRI protocol in part because the interference was an outgrowth of the examination. In any event, Congress eliminated interference proceedings in the AIA, and accordingly there is no basis to infer that Congress found the PTO's practice in interferences worth replicating in IPRs.

pand the set of circumstances in which the Board could determine patent validity. Neither provision remotely suggests that, in determining validity, Congress intended the Board to use a different claim-construction standard from courts.

b. *Burden of proof.* The rationale underlying the presumption of validity and heightened burden of proof in district-court litigation is that judges and jurors should defer to the PTO examiner, who has technical expertise that most judges and jurors lack. See, *e.g.*, *KSR Int'l Co.* v. *Teleflex Inc.*, 550 U.S. 398, 426 (2007) ("[T]he rationale underlying the presumption [is] that the PTO, in its expertise, has approved the claim."). That rationale is inapplicable in IPR: there is no reason for the Board to defer to the examiner because the Board has similar technical expertise. See 35 U.S.C. 6(a) ("The administrative patent judges shall be persons of competent legal knowledge and scientific ability."). By recognizing the Board's expertise and eliminating the heightened burden of proof, it does not follow that Congress wanted the Board and courts to use different claim-construction standards.

c. *Amendment.* Congress stripped patentees of any right to amend their claims in IPR. During initial examination, applicants have an unfettered right to amend. The Government asserts that the iterative back-and-forth "generally occurs twice, culminating in the issuance of either a notice of allowance or a final rejection." Br. 3. Even if that were correct, IPR allows nothing like the right to file an amendment, get feedback from the examiner, and file a second amendment. In any event, after a so-called "final rejection," an applicant may continue to amend claims by requesting continued examination. See 37 C.F.R. 1.114; see also Robert P. Merges *et al.*, Intellectual

Property In The New Technological Age 116 (3d ed. 2003) ("The label 'final rejection' is a misnomer if ever there was one."). Similarly, during ex parte reexamination, patentees may readily amend claims after rejection by the examiner. See 35 U.S.C. 305 ("[T]he patent owner *will be permitted* to propose any amendment to his patent.") (emphasis added). Patentees cannot "enlarg[e] the scope of a claim," *ibid.*, but otherwise amendments are freely allowed. And historically reexaminations have resulted in amendment of claims far more often than cancellation. See BIO Amicus Br. 11-12.

By contrast, patentees' ability to amend in IPR is sharply curtailed in a way flatly inconsistent with use of the BRI standard. See Pet. App. 39a (Newman, J., dissenting) ("Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory."). First, patentees are limited to one motion to amend, and roughly 5% of such motions have been granted. See Cuozzo Br. 29-30. Second, the Government itself states that the "common feature" of agency proceedings in which the BRI standard has been applied, and the "core rationale" for its use in those settings, is "the patent applicant or patentee may still amend its claims to disavow the broader reading if that reading does not reflect its actual intent." Br. 13. In IPR, patentees cannot "disavow" the Board's broad claim construction because they must file their motion *before* rejection by the Board. See 37 C.F.R. 42.121(a)(1).

Contrary to the Government's argument (Br. 27), this is *not* a question of whether the agency is too rigid at the margin, or whether the Board abuses its discretion in denying any particular motion to amend. As the PTO itself has explained, the purpose and tim-

ing of IPR are inconsistent with a liberal amendment process. See Cuozzo Br. 30. Granting a motion to amend bestows a new (and narrower) patent outside the normal examinational process, without the usual back-and-forth between the examiner and the applicant or the patentee. The purpose of IPR, however, is not to adjust the scope of patent claims. It is instead to determine the meaning of such claims. The PTO has therefore been clear that, by its nature, IPR is rarely the appropriate forum for claim amendment.

3. Using an ordinary-meaning standard in IPR would not lead to anomalous results.

The Government contends that using the ordinary-meaning standard would require the Board to "approve" a claim that the PTO would reject in a reexamination. Br. 33 (emphasis omitted). That contention reflects a basic misunderstanding of the Board's adjudicatory role. When the Board declines to cancel a claim, it does not thereby approve the claim. The Board simply finds, as a court would, that the challenger has not carried its burden of proving invalidity for a claim that already has withstood the examinational process. See *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) ("Courts do not find patents 'valid,' only that the patent challenger did not carry the 'burden of establishing invalidity.'"). Courts give claims their ordinary meaning without asking whether they should have been rejected in examination under a different standard. It is no more anomalous for the Board to do the same thing.

It adds nothing for the Government to say (Br. 33) that, after a claim is upheld under the ordinary-meaning standard in IPR, the PTO could commence a reexamination and cancel the claim under the BRI

standard. That is equally true of district-court litigation, and the Government takes no issue with courts applying the ordinary-meaning standard. Moreover, the patentee in reexamination has a liberal right to amend in order to teach away from the PTO's broader construction. See 35 U.S.C. 305. As a result, when the PTO commences a reexamination, the patentee has the prospect of walking away with its claims intact (albeit narrower). But when the Board applies the BRI standard in IPR, the patentee typically walks away empty-handed.

B. The PTO's regulation is invalid and not entitled to deference.

1. Section 42.100(b) is not an exercise of the PTO's procedural rulemaking authority.

a. The Government acts as if this case comes to the Court on a blank slate. To the contrary, in recent years the PTO has repeatedly sought—and been denied by both Congress and the Federal Circuit—the authority to issue substantive regulations. See Cuozzo Br. 35-36; BIO Amicus Br. 21-24. Congress presumably knew that when it enacted the AIA. It was aware that Section 2(b) of the Patent Act authorizes the PTO to issue regulations "govern[ing] the conduct of proceedings in the Office." 35 U.S.C. 2(b)(2)(A). Congress was further aware that the Federal Circuit had interpreted Section 2(b) to grant only procedural rulemaking authority. The Government disagrees (Br. 36-37) with that case law, but the key point is that Congress used virtually identical language to Section 2(b) in the relevant provision of the AIA. Simply put,

the PTO wants to achieve through interpretation what it has been unable to garner through legislation.[4]

b. The PTO relied on two portions of 35 U.S.C. 316(a)—Paragraphs 2 and 4—in promulgating its BRI regulation. Neither provision is remotely "an express grant of rulemaking authority" over claim construction. Br. 34.

i. Paragraph 2 authorizes the PTO to issue "standards for the showing of sufficient grounds to institute" an IPR. 35 U.S.C. 316(a)(2). On its face, that provision has nothing to do with the applicable claim-construction standard *after* the Board institutes an IPR and proceeds to address the patent's validity. The Government does not even attempt to explain how Paragraph 2's text extends to claim construction. Nor can Paragraph 2 possibly be substantive, because the AIA already establishes the substantive standard for instituting IPR: whether, based on the parties' pleadings, "there is a reasonable likelihood that the petitioner would prevail." 35 U.S.C. 314(a). The Government says (Br. 38) that the term "standards" has to be understood as granting substantive rulemaking authority, but it never says—in light of Section 314's reasonable-likelihood test—what substantive matters

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[4] The Government incorrectly argues that Congress has denied the PTO only the authority to issue "rules governing the basic conditions for patentability." Br. 39. In the lead-up to the AIA, the Administration lobbied Congress for "substantive rulemaking authority * * * to provide flexibility in the administration of patent rules and procedures." Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009). At a minimum, the Administration urged, the PTO should have "procedural rulemaking authority over proceedings in the agency." *Ibid.* Congress granted solely that minimum in the AIA.

Paragraph 2 is meant to cover. Whatever they are, claim construction is not among them.

ii. The Government spends (Br. 39) all of three sentences on Paragraph 4, which authorizes the PTO to prescribe regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). The regulation at issue does not "establish[]" IPR, and thus must be a regulation "governing" IPR. But Section 2(b) of the Patent Act similarly provides for regulations "govern[ing] the conduct" of PTO proceedings. 35 U.S.C. 2(b)(2)(A). Moreover, the heading of Section 316 is "[c]onduct of *inter partes* review." When the language of Paragraph 4 is paired with its preceding heading, it is identical to Section 2(b) of the Patent Act. Congress used exactly the right language to grant only procedural rulemaking authority in light of existing law.

The Government argues (Br. 37-38) that Section 316's heading is underinclusive because some portions of the provision are substantive. Even assuming that is correct, it is not enough for the Government to show that Section 316 allows the agency to issue some substantive rules. The Government has to show that Section 316 grants the power to issue substantive rules regarding *claim construction*. In the end, the only specific basis to which the Government points is Paragraph 4 and its general language about regulations "governing" IPR. The Government criticizes Cuozzo for labeling that a procedural catch-all, but on the Government's view it is a *substantive* catch-all. It is surely far more implausible to think that Congress hid the elephant of substantive rulemaking authority in the mousehole of Paragraph 4. See *Whitman* v. *Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

c. Ratcheting up the implausibility, the Government maintains (Br. 39-40) that the applicable claim-construction standard in IPR is an issue of procedure, not substance. But the Federal Circuit defers to regional circuits on matters of procedure, and it grants no such deference on claim construction—which itself would have indicated to Congress at the time of the AIA that claim construction is substantive. See BIO Amicus Br. 21. To remove any possible doubt, the Federal Circuit and other courts have explicitly labeled claim construction as substantive. See Cuozzo Br. 40. The Government does not address any of that pre-AIA case law. Nor does the Government address that, as a logical matter, the standard for claim construction must be substantive because it affects the scope of the patent owner's property right and can be outcome-determinative whether a patent survives a challenge. See *id.* at 41-42.

The Government asserts that the PTO's rule is not substantive because it "did 'not change any substantive rights relative to the current practice.'" Br. 40 (quoting 77 Fed. Reg. 48,697). But of course it did. Before the regulation, district courts and the ITC determined patent validity under the ordinary-meaning standard. Now, even when claims survive under that standard in litigation, patentees can have the same claims invalidated in an IPR under the different BRI standard. See, *e.g.*, *PPC Broadband, Inc.* v. *Corning Optical Commc'ns RF, LLC*, 2016 WL 692368, at *4-5 (Fed. Cir. 2016) (explaining that the court would have reached a different conclusion under the "correct construction" of the patent). That is the very definition of a change in "substantive rights."

2. Section 42.100(b) is plainly unreasonable.

Even if the PTO has the authority to promulgate substantive rules, its regulation is plainly unreasonable. It is a fundamental principle of patent law that claims should be given the same meaning for purposes of validity and infringement. See Cuozzo Br. 42-43. The Government fails even to address this basic principle. It does not dispute the unfairness in forcing patentees to defend broader constructions than they could assert in infringement actions—or in permitting challengers to urge broad constructions in IPR while advancing narrower readings in court to avoid infringement. In the process, the Board's use of the BRI standard reinjects the uncertainty that its earlier use in examination was meant to have eliminated, in turn defeating the public's interest in knowing the actual scope of claims. See *id.* at 43-44. The Government offers no answer to any of this.

The Government argues (Br. 42) instead that the PTO's regulation eliminates the inefficiency of using different claim-construction standards in a consolidated proceeding. But the Government concedes that the PTO has never consolidated an IPR with another type of proceeding—not even once. It is strange enough for the tail to wag the dog, but passing strange when the dog lacks a tail. Moreover, the Board's stated reason for not consolidating IPRs with other types of proceedings is that IPRs alone are "adjudicatory in nature." *Ford Motor Co.* v. *Signal IP, Inc.*, IPR2015-00860, Paper 14, at 3 (P.T.A.B. Nov. 17, 2015). "[T]here is an inherent tension in attempting to unify proceedings that, by all accounts, *are intended to be distinct in type from one another*." *Ibid.* (emphasis added). The Government now says "[t]here is no reason to believe that Congress intended the

Board to construe the same claims of the same patent differently in separate cases," Br. 42-43, but the Board has recognized the reason: IPRs perform a different function. The PTO's regulation unreasonably fails to respect that basic difference.

II. THE BOARD'S INSTITUTION DECISIONS ARE JUDICIALLY REVIEWABLE.

The Board now adjudicates a significant portion of the country's litigation over patent validity. When the Board institutes IPR, it is overwhelmingly likely to cancel the claims (assuming the parties do not settle and the Board issues a final written decision). That makes the institution decision a critical stage in the process—and it makes policing the limits on the Board's institution authority crucially important. Here, the Board instituted IPR on two of the claims in Cuozzo's patent in obvious contravention of the limitations set by Congress. Congress did not place limits on the Board's authority only so that the Board could flout those limits with impunity.

A. The AIA limits the Board's power to institute IPR proceedings.

The Government does not dispute what happened here: the Board took combinations of prior art cited by Garmin only with respect to claim 17 of Cuozzo's patent and applied them as well to institute review of claims 10 and 14, while denying all grounds that Garmin actually had asserted against claims 10 and 14. Nor does the Government make any effort to defend the Board's action under the terms of the AIA. Instead, the Government revives an argument that it made in the court of appeals but had abandoned at the certiorari stage: that it was "appropriate" for the

Board to treat Garmin's obviousness challenges to claim 17 as "implicitly rais[ing]" the same challenges to claims 10 and 14. Br. 51.

The AIA's plain text does not permit "implicit[]" challenges. The IPR petition must "identif[y], in writing and *with particularity*, the grounds on which the challenge to each claim is based, and *the evidence that supports the grounds for the challenge to each claim*." 35 U.S.C. 312(a)(3) (emphasis added). The Board may institute IPR only based upon "*the information presented in the petition* * * * and any response." 35 U.S.C. 314(a) (emphasis added). The statutory text could hardly be clearer: the Board is authorized to act only on the basis of the arguments and evidence that the parties present with respect to each challenged claim.

When the Board redrafts the petition on its own initiative, it deprives the patentee—which already has filed its response—of the opportunity to explain why the Board's asserted argument or evidence does not warrant IPR. It also prevents the Board from fulfilling its legislative mandate to consider the patentee's response to the petition. The Government argues (Br. 52) that Cuozzo was not deprived of any meaningful notice because the company eventually made the same arguments with respect to all three claims, so the Board had been correct in its threshold determination that the claims deserved to rise or fall together. But Congress made the judgment that, to encourage proper pleading and reduce error across the range of cases, the Board should not be authorized to act on grounds other than those presented by the parties. The Board is not free to make a different judgment on a case-by-case basis.

B. The Board cannot violate the AIA's limits without any judicial oversight.

Even though the Board plainly exceeded its statutory authority in instituting IPR of claims 10 and 14, the Government asserts that the Board's action is immune from judicial review under 35 U.S.C. 314(d). Its interpretation of Section 314(d) is inconsistent with the statute's text, its history, and the strong presumption in favor of judicial review.

1. As the Court declared last Term, "Congress rarely intends to prevent courts from enforcing its directives to federal agencies." *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015). This Court therefore "applies a 'strong presumption' favoring judicial review of administrative action." *Ibid.* (quoting *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986)). For the same reason, the Court construes bars to judicial review narrowly. See *Lindahl* v. *Office of Personnel Mgmt.*, 470 U.S. 768, 779-780 (1985). The Government thus "bears a 'heavy burden.'" *Mach Mining*, 135 S. Ct. at 1651 (quoting *Dunlop* v. *Bachowski*, 421 U.S. 560, 567 (1975)). It must produce "clear and convincing evidence" that Congress intended the Board's institution decisions to be free from any judicial oversight. *Bowen*, 476 U.S. at 671 (internal quotation marks omitted).

2. The text of Section 314 is anything but a clear and convincing denial of judicial review. Section 314(a) requires the Director to determine whether, based on the information in the petition and response, "there is a reasonable likelihood" that the IPR petitioner would prevail on the merits. Section 314(d) then provides that the "determination by the Director whether to institute an inter partes review under this section shall be *final and nonappealable*" (emphasis

added). The Government acknowledges that the term "final" means that the Board's reasonable-likelihood determination "will not be revisited by the agency in its subsequent decision on the merits." Br. 46. The Government thus rests on the term "nonappealable," which in its view makes the institution decision "not subject to further review." *Ibid.* But that converts a bar on *appealability* into a bar on *reviewability*. The term's natural meaning is simply that parties to an IPR may not appeal the Board's institution decision itself, though they may raise their claims of error in the appeal from the Board's final written decision.

Regardless, by its terms, the only thing Section 314(d) could possibly withdraw from review is the Board's determination that the parties' pleadings warrant institution. If the Board wants its institution decision to be unreviewable, it need only rely on "the information presented in the petition * * * and any response." 35 U.S.C. 314(a). The Board cannot rewrite the petition, and then contend that it is making the kind of determination that Sections 314(a) and (d) place beyond judicial review. Moreover, the Board has to determine that IPR petitioners have complied with certain time bars and estoppel rules. See 35 U.S.C. 315(a)(1), (b), (e)(1). Those determinations are not made "under" Section 314 and thus are not made unreviewable by Section 314(d). See BIO Amicus Br. 31. There is no reason why the Board's refusal to comply with Section 314(a)'s limits should be any different.

The Government suggests that because Section 319 authorizes appeal from the Board's final written decision, Congress intended review solely of "the Board's ultimate decision about patentability." Br. 44. But Section 319 provides for an appeal by "[any] party

dissatisfied" with the Board's final decision. A party may be "dissatisfied" because it believes the Board is wrong about patentability or the denial of a motion to amend, or it may be dissatisfied because the Board never should have issued a final decision on patentability at all. Contrary to the Government's argument (Br. 44), the cross-reference to Section 318(a) changes nothing. Section 318(a) requires the Board's final written decision to address "the patentability of any patent claim challenged by the petitioner," but requiring the Board to address the merits has nothing to do with the scope of subsequent review.

If the Government's argument were correct, then all of the AIA's limits on instituting IPRs would be nonbinding on the agency. The Board could institute an IPR even if the petitioner already had filed a parallel civil action, 35 U.S.C. 315(a)(1); had been served with an infringement complaint more than a year earlier, 35 U.S.C. 315(b); or could have raised the claims in an earlier IPR, 35 U.S.C. 315(e)(1). Despite the fact that the IPR "was instituted in violation of the statutory restrictions," the patentee could only challenge "the Board's later decision about patentability." Br. 44-45 (internal quotation marks omitted). That is a breathtaking assertion of agency power. See *Shaw Indus. Grp., Inc.* v. *Automated Creel Sys., Inc.*, No. 2015-1116, 2016 WL 1128083, at *8 (Fed. Cir. Mar. 23, 2016) (Reyna, J., concurring) ("The PTO's claim to unchecked discretionary authority" based on Section 314(d) "is unprecedented.").

3. The Government incorrectly argues that Section 314(d) has "meaningful operative effect" only on its interpretation. Br. 46. To the contrary, the provision does two things. First, it forecloses appeal of the Board's decisions *not* to institute. See 5 U.S.C. 702;

28 U.S.C. 1295(a)(4). Second, it forecloses interlocutory appeal of the Board's decisions to institute via writs of mandamus. See *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014). The Government continues not to address this latter function. Indeed, the Government appears to leave open (Br. 50 n.13)—as the panel majority did below—the possibility of mandamus review if the Board clearly exceeds its institution authority. That makes no sense whatsoever. The purpose of Section 314(d) is to prevent interlocutory appeal in order to expedite IPR proceedings. The Government would allow mandamus petitions to gum up the works, while denying parties the ability to raise the same claims as part of their final appeals.

4. The Government overreads the historical backdrop against which Congress acted. The former inter partes reexamination statute (which the AIA replaced) provided—in language virtually identical to Section 314(d)—that the Director's determination "whether a substantial new question of patentability * * * is raised * * * shall be final and nonappealable." 35 U.S.C. 312 (2006). The ex parte reexamination statute continues to provide—in language narrower than Section 314(d)—that a "determination by the Director * * * that no substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. 303(c). The Government argues (Br. 46-48) that Congress viewed the difference in terminology as important, *i.e.*, that Congress intentionally opted for the broader language to foreclose all judicial review of institution decisions.

But "pre-AIA case law made clear that the limitations on the scope of reexamination authority were reviewable upon the final decision," without drawing

any apparent distinction between inter partes and ex parte reexamination. *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306, 1321-1322 (Fed. Cir. 2015). Indeed, the Government acknowledges (Br. 48) that, notwithstanding the broader language of the inter partes reexamination statute, parties could challenge the Director's authority to institute. Congress presumably was aware of that practice when it incorporated the same language into Section 314(d). The Government is thus left to argue (Br. 48) that the text of Section 314(d) is not actually the same as former Section 312(c), but that is demonstrably incorrect. Both statutes refer to the Director's decision "whether to institute" "under" the respective sections. There is no material textual difference and thus no reason to think Congress intended a different result.

5. In an appeal to policy, the Government argues (Br. 50-51) that limiting judicial review of institution decisions furthers Congress's goal of improving patent quality. But the AIA does not pursue patent quality at all costs. See *Rodriguez* v. *United States*, 480 U.S. 522, 525-526 (1987) (per curiam) ("[N]o legislation pursues its purposes at all costs."). If it did, Congress would have vested the PTO with unlimited authority to institute IPR. Congress wanted the PTO to pursue patent quality *within the bounds established by the statute*. If the PTO suspects that a patent is invalid but an IPR may not be properly instituted, it is free to initiate ex parte reexamination. See 35 U.S.C. 303. What the PTO may not do, however, is assume a roving commission to initiate IPRs in violation of the AIA.

6. Finally, even if Congress intended Section 314(d) to bar any review of the Board's authority to institute, there is "an implicit and narrow" exception

"for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (citing *Leedom* v. *Kyne*, 358 U.S. 184 (1958)).[5] The Government responds that *Kyne* "permits review only when no statute precludes such review." Br. 50 n.13. That is a debatable reading of *Kyne*, which permitted review of an agency's ultra vires action in the face of a provision that did not authorize such review. See 358 U.S. at 188-189. Certainly it is not how the courts of appeals have read *Kyne*. See, *e.g.*, *Key Med. Supply, Inc.* v. *Burwell*, 764 F.3d 955, 962 (8th Cir. 2014) ("[A]n ultra vires action may be reviewed even in the face of a statutory bar on review."). At the least, however, the Government's reading of *Kyne* shows just how strong the presumption in favor of judicial review is. Section 314(d) is not sufficiently clear to overcome that presumption and bar claims that the Board ignored limits on its statutory authority.

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[5] Contrary to amicus Apple's argument (Br. 16-19), the *Kyne* exception does not apply only if the statutory limits on an agency's authority are jurisdictional in nature. Neither this Court nor lower courts have interpreted *Kyne* in that manner.

CONCLUSION

For the foregoing reasons and those stated in the opening brief, the judgment should be reversed and remanded.

Respectfully submitted.

GARRARD R. BEENEY
Counsel of Record
STEPHEN J. ELLIOTT
JAMES T. WILLIAMS
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004
(212) 558-4000
beeneyg@sullcrom.com

JEFFREY B. WALL
SULLIVAN & CROMWELL LLP
1700 New York Avenue, N.W.
Suite 700
Washington, DC 20006
(202) 956-7500

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